ANNUAL FINANCIAL REPORT OF

COUNTY EMPLOYEES' RETIREMENT FUND

DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
County Employees' Retirement Fund

We have audited the accompanying financial statements of the County Employees' Retirement Fund ("CERF"), which comprise the statements of fiduciary net position as of December 31, 2015 and 2014, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of the County Employees' Retirement Fund as of December 31, 2015 and 2014, and the changes in plan net position for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the schedules of changes in the net pension liability, net pension liability, employer contributions, and investment returns as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Williams-Keepers LLC

June 13, 2016

COUNTY EMPLOYEES' RETIREMENT FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of the County Employees' Retirement Fund's (CERF) financial performance provides an introduction to the financial statements of CERF for the years ended December 31, 2015 and 2014. Since the MD&A is designed to focus on current activities, resulting changes and current known facts, please read it in conjunction with the financial statements.

Required Financial Statements

CERF, a public employees' retirement plan, prepares its financial statements on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Statement of Fiduciary Net Position includes all of CERF's assets and liabilities and provides information about the nature and amount of investments available to satisfy the pension benefits of the plan. All additions to and deductions from the net position held in trust for pension benefits are accounted for in the Statement of Changes in Fiduciary Net Position. This statement measures CERF's success over the past year in increasing the net position available for pension benefits.

Financial Analysis of CERF

Fiduciary Net Position

The fiduciary net position is essentially the GASB accounting term for the market value of assets. On a fair market value of assets (MVA) basis, the System's investment performance for year ending December 31, 2015 was below the assumed long-term return. On that basis the calculated return for the January 1, 2015 – December 31, 2015 fiscal year was 0.00% compared to 4.34% for the prior year. That performance resulted in an investment loss of $32.3 million.

Total Pension Liability

The total pension liability (TPL) refers to the actuarial accrued liability as calculated under the Entry Age Normal actuarial cost method in accordance with the GASB accounting standards. TPL increased from $551,305,708 as of December 31, 2014 to $625,859,932 as of December 31, 2015. $31.9 million of the increase is attributable to the normal operation of the plan over the year, benefit accruals plus interest minus benefit payments. The remaining increase was due to the net result of assumption changes and demographic experience. The assumption for long-term average annual future investment return was decreased to 7.5% at the September 2015 board meeting. The investment return assumption has previously been 8.00%. The assumption changes increases the likelihood the Fund will meet or exceed its assumed investment return in future years, and will also serve to lessen the magnitude of increases in the actuarially determined contribution in the event that actual future investment performance fails to meet the assumption. In addition, the assumption for annual wage increases was reduced from 3.0% plus merit to 2.5% plus merit, the Social Security Wage Growth assumption was reduced from 4.5% to 3.5%, and Social Security CPI was reduced from 4.0% to 2.5%. The net impact of the assumption changes was to increase the calculated TPL by approximately $33.4 million. In addition, there was approximately $9.2 million in actuarial losses from demographic experience differing from the assumptions.

Net Pension Liability

The net pension liability (NPL) is equal to the total pension liability minus the net fiduciary position. The net result of the investment losses relative to the expected long term rate of return, the changes in assumptions, and

demographic experience losses was a decrease in the funded percentage from 78.8% as of December 31, 2014 to 69.1% as of December 31, 2015. The NPL increased from $116.7 million to $193.4 million.

Actuarially Determined Contribution

Differences between the actuarial liabilities and the assets can be made up through (1) future contributions in excess of the normal costs to amortize the shortfall and/or (2) the excess of actual investment returns over assumed returns. An actuarial valuation sets out a schedule of future contributions that will deal with this deficiency in a systematic manner if future experience follows the assumptions. Since the Fund's actual contributions are a combination of member contributions and county collected taxes, fees, and penalties, the actuarially determined contribution (ADC) is more of a measuring stick to assess the sufficiency of the current sources of contributions to the Fund.

The actuarial cost method used to determine the pattern of future contributions is called the entry age normal (EAN) actuarial cost method. Under this method (as is the case for most actuarial cost methods), the contributions required are based on two elements:

- The normal cost - Under the EAN method, the normal cost rate is that level percentage of pay which would fully fund a member's benefit at retirement, if paid from the year of entry (i.e., "entry age") to the year of retirement, if future experience were to exactly match the actuarial assumptions

- The amortization payment to liquidate the unfunded actuarial liability (UAL)

As part of the Fund's funding policy, the ADC is based on a "layered" approach that includes closed 20-year charge and credit bases for the amortization of the UAL. The current amortization policy was adopted for the 2011 actuarial valuation.

For a given base of UAL amortization, annual amortization payments are calculated as increasing by 2.50% per year ("level percent of payroll amortization"), consistent with the valuation's long-term annual payroll growth assumption. If future experience follows the actuarial assumptions, this should result in amortization payments that keep pace with the assumed growth in overall compensation. Please note that with the current amortization period of 20 years, amortization payments will include a smaller principal payment in the earlier years of the amortization period and a larger principal payment in the later years when compared to a traditional level dollar amortization policy.

For 2015, the County portion of ADC was $22,051,507, net of both member and County paid employee contributions. The actual County contributions for 2015 totaled $19,968,537 for a shortfall of $2,082,970.

Net Position

To begin the financial analysis, a summary of CERF's net position is as follows:

Condensed Statements of Fiduciary Net Position
(in $000's)

	2015	2014	Dollar Change	Percent Change
Cash and cash equivalents	$ 2,397	$ 2,409	$ (12)	0%
Receivables	8,083	4,885	3,198	65%
Investments	428,587	431,325	(2,738)	-1%
Invested securities lending collateral	81,871	79,527	2,344	3%
Other assets	62	7	55	786%
Capital assets, net	5,746	4,841	905	19%
Total assets	526,746	522,994	3,752	1%
Liabilities	94,242	88,388	5,854	7%
Total fiduciary net position	$ 432,504	$ 434,606	$ (2,102)	0%

Net position decreased by $2,101,837, or .5%, in 2015. This decrease reflects investment losses experienced during 2015.

The following table presents the investment allocation for 2015 and 2014, and CERF's target allocation for 2015. CERF considers its land and administrative office building to be part of its real estate investment portfolio, whereas they are classified as capital assets in the financial statements. These percentages for 2015 are based on including the land and building at the 2015 appraisal amount. The percentages are also based on classifying temporarily uninvested cash in each investment fund as part of CERF's overall category, whereas such cash is classified as cash equivalents in the financial statements. Otherwise, these percentages may reflect some minor differences in classifications among categories as compared to the classifications used for investments in the accompanying financial statements.

	2015	2014	Target
Fixed Income	29.9%	28.2%	30.0%
U. S. Equities	38.5%	41.4%	35.0%
International Equities	13.8%	13.5%	15.0%
Private Equities	2.9%	1.7%	5.0%
Equity Long/Short	10.0%	9.4%	10.0%
Real Estate	4.0%	4.0%	5.0%
Cash	0.9%	1.8%	*

*The investment policy permits up to 3% of the portfolio to be in cash and cash equivalents.

Condensed Statements of Fiduciary Net Position
(in $000's)

	2014	2013	Dollar Change	Percent Change
Cash and cash equivalents	$ 2,409	$ 2,177	$ 232	11%
Receivables	4,885	4,247	638	15%
Investments	431,325	412,194	19,131	5%
Invested securities lending collateral	79,527	62,598	16,929	27%
Other assets	7	2	5	250%
Capital assets, net	4,841	4,304	537	12%
Total assets	522,994	485,522	37,472	8%
Liabilities	88,388	68,322	20,066	29%
Total fiduciary net position	$ 434,606	$ 417,200	$ 17,406	4%

Net position increased by $17,406,267, or 4%, in 2014. This increase reflects investment gains experienced during 2014.

The following table presents the investment allocation for 2014 and 2013, and CERF's target allocation for 2014. CERF considers its land and administrative office building to be part of its real estate investment portfolio, whereas they are classified as capital assets in the financial statements. These percentages for 2014 are based on including the land and building at the 2010 appraisal amount. The percentages are also based on classifying temporarily uninvested cash in each investment fund as part of CERF's overall category, whereas such cash is classified as cash equivalents in the financial statements. Otherwise, these percentages may reflect some minor differences in classifications among categories as compared to the classifications used for investments in the accompanying financial statements.

	2014	2013	Target
Fixed Income	28.2%	28.2%	30.0%
U. S. Equities	41.4%	41.3%	35.0%
International Equities	13.5%	14.5%	15.0%
Private Equities	1.7%	1.5%	5.0%
Equity Long/Short	9.4%	9.0%	10.0%
Real Estate	4.0%	3.9%	5.0%
Cash	1.8%	1.6%	*

*The investment policy permits up to 3% of the portfolio to be in cash and cash equivalents.

Condensed Statements of Changes in Fiduciary Net Position
(in $000's)

	2015	2014	Dollar Change	Percent Change
Additions:				
Contributions:				
Counties receipts	$ 19,969	$ 19,782	$ 187	1%
By members	11,519	10,599	920	9%
For members, paid by counties	1,517	1,236	281	23%
Members, purchase of prior service	79	65	14	22%
Total contributions	33,084	31,682	1,402	4%
Net investment income (loss)	(289)	17,604	(17,894)	-102%
Net securities lending activities	384	354	30	-8%
Other income	5	5	(0)	-5%
Total additions	33,184	49,646	(16,462)	-33%
Deductions:				
Benefits	$ 26,758	$ 24,243	$ 2,515	10%
Refunds	3,143	3,169	(26)	-1%
Defined contribution plan match	2,862	2,696	166	6%
Administrative expenses	2,523	2,131	392	18%
Total deductions	35,286	32,239	3,047	9%
Net (decrease) increase	$ (2,102)	$ 17,407	$ (19,509)	-112%

Condensed Statements of Changes in Fiduciary Net Position
(in $000's)

	2014	2013	Dollar Change	Percent Change
Additions:				
Contributions:				
Counties receipts	$ 19,782	$ 20,349	$ (567)	-3%
By members	10,599	10,034	565	6%
For members, paid by counties	1,236	1,064	172	16%
Members, purchase of prior service	65	100	(35)	-35%
Total contributions	31,682	31,547	135	0%
Net investment income (loss)	17,604	66,916	(49,312)	-74%
Net securities lending activities	354	466	(112)	24%
Other income	5	4	1	33%
Total additions	49,646	98,933	(49,287)	-50%
Deductions:				
Benefits	$ 24,243	$ 22,369	$ 1,874	8%
Refunds	3,169	3,658	(489)	-13%
Defined contribution plan match	2,696	2,532	164	6%
Administrative expenses	2,131	2,089	42	2%
Total deductions	32,239	30,648	1,591	5%
Net increase	$ 17,407	$ 68,285	$ (50,878)	-75%

Additions

Additions needed to fund benefits are accumulated through contributions, which include both county fee receipts and employee contributions, and returns on invested funds. Contributions for 2015 totaled $33,084,285 which was 4.4% above those received in 2014. Contributions for 2014 totaled $31,681,446, which was .4% above those received in 2013. Due to the legislation which took effect in 2003, as new employees continue to replace employees hired prior to February 25, 2002, employee contributions are expected to continue to rise.

The year 2015 was relatively strong for commercial real estate, but weak for bonds, domestic equity, and international stocks. The $17,863,709 decrease in net investment income in 2015 is attributable to an unfavorable market environment in 2015 as compared to 2014. For example, the S&P 500 Index returned 13.69% in 2014, and decreased to 1.38% in 2015. However, the MSCI EAFE Index lost 4.48% in 2014, while 2015 lost -.39%. Consequently, the total rate of return for the CERF portfolio in 2015 was .38%, as compared to 4.61% in 2014. CERF's Large Cap U.S. Equities returned 1.18%, as compared to 1.38% for the S&P 500 Index. The Small/Mid Cap U.S. Equities lost -1.55%, as compared to -2.90% for the Russell 2500 Index. The fixed income portfolio lost -3.39%, as compared to .55% for the Barclays U. S. Aggregate Index. CERF's international stock portfolio returned 1.39% as compared to -.39% for the MSCI EAFE Index. The Equity Long/Short position returned 3.19%, as compared to -.44% for the HFRI Equity Hedge Index. CERF's Private Equity investment returned 2.46%, as compared to the S&P 500 of 1.38%. The Real Estate portfolio consists

of an investment in core real estate, as well as CERF's office building. In 2015, the core real estate investment returned 11.67%, as compared to the NFI ODCE Index return of 13.94%. The office building was appraised in 2015 with a market value of $3,600,000. The return on investment in CERF's office building will continue to be recognized as periodic appraisals are conducted every five years.

The year 2014 was strong for domestic equity and real estate, but weak for international stocks. The $49,423,125 decrease in net investment income in 2014, as compared to 2013, is attributable to a less positive market environment in 2014. For example, the S&P 500 Index returned 32.4% in 2013, and decreased to 13.69% in 2014. Similarly, the MSCI EAFE Index lost 4.48% in 2014, as compared to gaining 23.3% in 2013. Consequently, the total rate of return for the CERF portfolio in 2014 was 4.61%, as compared to 20% in 2013. CERF's Large Cap U.S. Equities returned 9.64%, as compared to 13.69% for the S&P 500 Index. The Small/Mid Cap U.S. Equities returned 35.7%, as compared to 36.8% for the Russell 2500 Index. The fixed income portfolio returned 4.16%, as compared to 5.97% for the Barclays U. S. Aggregate Index. CERF's international stock portfolio experienced a decrease of 5.3%, as compared to a decrease of 4.48% for the MSCI EAFE Index. The Equity Long/Short position returned 4.83%, as compared to 2.03% for the HFRI Equity Hedge Index. CERF's Private Equity investment returned 10.08% as compared to the S&P 500 of 13.69%. The Real Estate portfolio consists of an investment in core real estate, as well as CERF's office building. In 2014, the core real estate investment returned 12.06%, as compared to the NFI ODCE Index return of 11.37%. The office building was appraised in mid-2010 with a market value of $3,500,000. The return on investment in CERF's office building will continue to be recognized as periodic appraisals are conducted every five years.

Beginning in January 2006, the Board of Directors authorized CERF to enter into a Securities Lending Agreement with Key Bank, thus allowing CERF to lend its securities to broker-dealers, for the purpose of providing additional income to CERF. In 2015, CERF experienced a net unrealized securities lending gain of $384,014, as compared to $353,955 in 2014.

When comparing returns, it is important to note that CERF's investment objectives should be pursued as long-term goals designed to maximize return while reducing exposure to undue risk, as set out in the Board's investment policy. At a minimum, it is the objective of CERF to meet its actuarial interest assumption on an ongoing basis. Beginning in 2015, the actuarial assumption for investment return was changed from 8% to 7.5%. The desired objective on a long-term basis is to achieve an excess return over the actuarial assumption, net of investment management fees and transaction costs. Long term is defined as greater than 10 years. Some of the results for the total fund are:

Period	Returns	Other Public Funds
One Year	.38%	39th Percentile
Three Years	8.08%	31st Percentile
Five Years	7.48%	33rd Percentile
Ten Years	6.63%	7th Percentile
Since Inception	8.74%	

Deductions

The expenses paid by CERF include benefit payments, refunds, a defined contribution plan match, and administrative expenses. Due to new legislation which took effect August 28, 2012, expenses also include refunds of contributions to beneficiaries of non-vested active members who died after December 31, 2002.

Expenses for 2015 totaled $35,285,693, an increase of $3,046,987 over 2014. The increase in benefit payments to members and beneficiaries resulted primarily from growth in the number of annuitants to 4,498 in 2015 from 4,208 in 2014 (an increase of 290 payees), as well as an increase of $2,515,648 required to pay

benefits. There was also an increase of $165,587 in the amount necessary to make the defined contribution plan match for 2015. The amount of contributions refunded to terminated non-vested employees declined only slightly in 2015 compared to 2014. The increase in administrative expense was attributable to the implementation of new database software, including outside consultant fees, additional hardware, software maintenance, and an increase in depreciation expense.

Expenses for 2014 totaled $32,238,706, an increase of $1,590,732 over 2013. The increase in benefit payments to members and beneficiaries resulted primarily from growth in the number of annuitants to 4,208 in 2014 from 3,985 in 2013 (an increase of 223 payees), as well as an increase of $1,873,903 required to pay benefits. There was also an increase of $164,616 in the amount necessary to make the defined contribution plan match for 2014. The amount of contributions refunded to terminated non-vested employees declined in 2014.

Economic Outlook

CERF's estimated investment loss for the three months ended March 31, 2016, is approximately -.28%. CERF's investments as of March 31, 2016 total approximately $426,486,000, a decrease of $2,188,000 since December 31, 2015, due to first quarter depreciable investment return. For the first quarter 2015, the S&P 500 Index return was 1.35%, the Barclays U. S. Aggregate Index was 3.03%, the Russell 2500 was .39%, the NFI ODCE Index was 2.18%, and the MSCI EAFE Index was -2.88%.

COUNTY EMPLOYEES' RETIREMENT FUND

STATEMENTS OF FIDUCIARY NET POSITION
December 31, 2015 and 2014

	2015	2014
ASSETS		
Cash	$ 2,396,955	$ 2,408,828
Receivables:		
Member contributions	392,867	346,769
Member prior service contributions	129,330	133,350
County contributions	2,881,164	2,846,132
Receivable for pending investment sales	3,980,458	636,112
Accrued interest and dividends	699,058	922,305
Total receivables	8,082,877	4,884,668
Investments, at fair value:		
U.S. government and agencies	18,831,995	14,650,481
Foreign bonds	15,540,785	19,499,657
Corporate bonds and notes	29,272,948	27,500,588
Domestic stocks	158,271,757	172,958,731
International equities funds	59,270,726	58,460,641
Private equity	12,095,619	7,392,219
Hedge funds	105,855,826	99,317,707
Real estate fund	13,442,687	14,127,235
Cash equivalents	16,005,066	17,418,179
Total investments	428,587,409	431,325,438
Invested securities lending collateral	81,871,298	79,527,491
Other assets	62,001	7,001
Capital assets, net of accumulated depreciation of $2,590,595 and $2,422,923	5,745,678	4,840,535
Total assets	526,746,218	522,993,961
LIABILITIES		
Accounts payable	599,598	673,644
Accrued defined contribution plan funding	2,861,751	2,696,164
Other accrued expenses	121,993	107,954
Unearned revenue	107,479	206,183
Payable for pending investment purchases	8,024,098	4,378,749
Collateral for securities on loan	82,526,808	80,324,939
Total liabilities	94,241,727	88,387,633
Net position - restricted for pension benefits	$ 432,504,491	$ 434,606,328

The notes to financial statements are an integral part of these statements.

COUNTY EMPLOYEES' RETIREMENT FUND

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
For the Years Ended December 31, 2015 and 2014

	2015	2014
ADDITIONS:		
Contributions:		
County receipts	$ 19,968,537	$ 19,781,514
By members	11,519,437	10,599,321
For members, paid by counties	1,517,407	1,235,779
Members, purchase of prior service	78,904	64,832
Total contributions	33,084,285	31,681,446
Investment income:		
Investing activities:		
Net appreciation (depreciation) in fair value of investments	(3,612,068)	12,863,961
Fixed income securities	2,598,737	2,724,986
Equity securities	3,883,321	4,323,750
Alternative investments	(815,232)	6,690
Other miscellaneous income	24,203	17,785
Total investment income	2,078,961	19,937,172
Investment expenses	(2,368,349)	(2,332,792)
Net income (loss) from investing activities	(289,388)	17,604,380
Securities lending activities:		
Income	272,003	147,523
Expenses, net	(29,927)	(52,327)
Net increase in fair value of re-invested collateral	141,938	258,759
Net income from securities lending activities	384,014	353,955
Total net investment income	94,626	17,958,335
Other income	4,945	5,192
Total additions	33,183,856	49,644,973
DEDUCTIONS:		
Benefits	26,758,453	24,242,805
Refunds of member contributions	3,142,804	3,169,101
Defined contribution plan matching contribution	2,861,751	2,696,164
Administrative expense	2,522,685	2,130,636
Total deductions	35,285,693	32,238,706
Net increase (decrease)	(2,101,837)	17,406,267
Net position - restricted for pension benefits		
Beginning of year	434,606,328	417,200,061
End of year	$ 432,504,491	$ 434,606,328

The notes to financial statements are an integral part of these statements.

COUNTY EMPLOYEES' RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting: The financial statements of the County Employees' Retirement Fund ("CERF") are prepared using the accrual basis of accounting. Member and employer contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable in accordance with the terms of the plan. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

Method used to value investments: Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Bonds and stocks traded on a national or international exchange are valued at the last reported sales price at current exchange rates as reported by independent pricing services. The values of real estate included in the real estate investment fund are based upon annual independent appraisals, updated quarterly, as provided by the fund manager. Investments that do not have an established market are reported at estimated fair value as provided by investment or fund managers.

Property and equipment: Property and equipment, including computer software programs, are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated lives of the assets of from three to fifty years.

Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. PLAN DESCRIPTION

CERF was established by an act of the Missouri General Assembly effective August 28, 1994. Laws governing the retirement fund are found in Sections 50.1000-50.1300 of the Missouri Revised Statutes (RSMo). The Board of Directors consists of eleven members, nine of whom are county employee participants. Two members, who have no beneficiary interest in CERF, are appointed by the Governor of Missouri. The Board of Directors has the authority to adopt rules and regulations for administering the system.

CERF is a mandatory cost-sharing multiple employer retirement system for each county in the state of Missouri, except any city not within a county (which excludes the City of St. Louis) and counties of the first classification with a charter form of government. CERF covers county elective or appointive officers or employees whose position requires the actual performance of duties not less than 1,000 hours per year; including employees of circuit courts located in a first class, non-charter county which is not participating in the Local Government Employees Retirement System (LAGERS); and does not cover circuit clerks, deputy circuit clerks, county prosecuting attorneys, and county sheriffs. Until January 1, 2000, employees hired before January 1, 2000 could opt out of the system.

CERF is a defined benefit plan providing retirement and death benefits to its members. All benefits vest after 8 years of creditable service. Employees who retire on or after age 62 are entitled to an allowance for life based on the form of payment selected. The normal form of payment is a single life annuity. Optional joint and survivor annuity and 10-year certain and life annuity payments are also offered to members in order to provide benefits to a named survivor annuitant after their death. Employees who have a minimum of 8 years of creditable service may retire with an early retirement benefit and receive a reduced allowance after attaining age 55. Annual cost-of-living adjustments, not to exceed 1%, are provided for eligible retirees and survivor annuitants, up to a lifetime maximum of 50% of the initial benefit which the member received upon retirement. Benefit provisions are fixed by state statute and may be amended only by action of the Missouri Legislature. Administrative expenses for the operation of CERF are paid out of the funds of the system.

Contributions: Prior to January 1, 2003, participating county employees, except for those who participated in LAGERS, were required to make contributions equal to 2% of gross compensation. Effective January 1, 2003, participating county employees hired on or after February 25, 2002 are required to make contributions of 4% if they are in a LAGERS county and contributions of 6% if they are in a non-LAGERS county. If an employee leaves covered employment before attaining 8 years of creditable service, accumulated employee contributions are refunded to the employee. The contribution rate is set by state statute and may be amended only by action of the Missouri Legislature.

Counties may elect to make all or a portion of the required 4% contribution on behalf of employees. Total county-paid member contributions for the years ended December 31, 2015 and 2014 were $1,517,407 and $1,235,779, respectively.

In addition, the following fees and penalties prescribed under Missouri law are required to be collected and remitted to CERF by counties covered by the plan:

- Late fees on filing of personal property tax declarations,
- Twenty dollars on each merchants and manufacturers license issued,
- Six dollars on each document recorded or filed with county recorders of deeds, with an additional one dollar on each document recorded,
- Three sevenths of the fee on delinquent property taxes, and
- Interest earned on investment of the above collections prior to remittance to CERF.

The fees and penalties collected and remitted to CERF by counties covered by the plan for the years ended December 31, 2015 and 2014 were as follows:

	2015		2014	
Delinquent property tax fees	$ 7,916,205	39.64%	$ 8,055,102	40.72%
Assessor late assessment filing fees	6,066,688	30.38%	5,874,232	29.70%
Recorder document fees	4,857,464	24.33%	4,657,422	23.54%
Merchants and manufacturers licenses	1,069,838	5.36%	1,133,720	5.73%
Interest on the above fees	58,342	0.29%	61,038	0.31%
	$19,968,537	100%	$19,781,514	100%

Members: CERF members include eligible employees of 111 counties in the State of Missouri. The number of members and benefit recipients served by the system at December 31, 2015 and 2014 were:

	2015	2014
Retirees and beneficiaries receiving benefits	4,498	4,208
Terminated employees entitled to but not yet receiving benefits	2,545	2,022
Current active plan members	11,311	11,012
Total	18,354	17,242

Tax status: The Internal Revenue Service has determined and informed CERF by letter dated September 28, 2011, that the plan as amended through November 1, 2010 is in a form acceptable under the Internal Revenue Code.

3. DEPOSITS AND INVESTMENTS

Custodial credit risk for deposits: Custodial credit risk is the risk that in the event of a bank failure, CERF's deposits may not be returned to it. At December 31, 2015 and 2014, CERF's bank balances were secured by a combination of federal depository insurance and pledged collateral held in CERF's name by an agent of the depository bank.

Investments: Funds are invested by outside managers under policies established by the Board of Directors. The Board requires that its investment managers invest CERF's assets with the care, skill, and diligence a prudent person familiar with such matters acting in a like capacity would use in a similar enterprise with like objectives.

The following table summarizes CERF investments by type at December 31, 2015 and 2014:

	2015	2014
U.S. government and agencies securities	$ 18,831,995	$ 14,650,481
Foreign bonds	15,540,785	19,499,657
Corporate bonds and notes	29,272,948	27,500,588
Common and preferred stocks	158,271,757	172,958,731
International equities funds	59,270,726	58,460,641
Private equity	12,095,619	7,392,219
Hedge funds	105,855,826	99,317,707
Real estate funds	13,442,687	14,127,235
Cash equivalents	16,005,066	17,418,179
Total	$ 428,587,409	$ 431,325,438

CERF's investment policy permits investments in equity and fixed income (debt) securities and real estate, with guidelines for the percentage of the total for each category and for the type of investments within each category.

Investment income in the statement of changes in fiduciary net position displays the realized and unrealized investment gains and losses from all investment types on the line item "Net appreciation (depreciation) in fair value of investments". Totals for interest, dividends, and other types of investment income are presented by broad categories of investments.

With respect to debt securities, the policy permits fixed and variable rate securities issued or guaranteed by the U.S. government, its agencies or instrumentalities; and U.S. government sponsored and other corporation securities. To manage interest rate and credit risks, two investment managers are used for debt securities, each operating under specific guidelines with respect to approved securities, duration, diversification, and minimum quality ratings by Moody's or Standard and Poors.

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using the option-adjusted methodology. CERF benchmarks the fixed income portfolio to the U.S. Aggregate Index. At December 31, 2015, the effective duration of the U.S. Aggregate Index was 5.62 years, whereas, CERF's fixed income portfolio had an effective duration of 6.55 years. At December 31, 2014, the effective duration of the U.S. Aggregate Index was 6.11 years, whereas, CERF's fixed income portfolio had an effective duration of 6.17 years. The following table summarizes duration by investment type as of December 31, 2015:

Investment	2015 Fair Value	Effective Duration Rate in Years
U.S. treasuries	$ 11,033,453	13.75
U.S. agencies mortgage pool	7,798,542	4.78
Commercial mortgage backed securities	1,841,182	1.61
Other asset backed securities	1,535,213	1.61
U.S. corporate - financial	9,400,844	3.24
U.S. corporate - industrial	15,160,027	6.52
U.S. corporate - utility	1,335,682	5.80
International	15,540,785	5.54
Total	$ 63,645,728	

The following table summarizes duration by investment type as of December 31, 2014:

Investment	2014 Fair Value	Effective Duration Rate in Years
U.S. treasuries	$ 5,385,610	11.88
U.S. agencies mortgage pool	9,264,871	5.66
Commercial mortgage backed securities	2,125,726	2.23
Other asset backed securities	1,955,474	2.60
U.S. corporate - financial	8,475,723	3.58
U.S. corporate - industrial	13,618,984	6.39
U.S. corporate - utility	1,324,681	7.50
International	19,499,657	6.52
Preferred stock	104,957	2.12
Total	$ 61,755,683	

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the plan. CERF's debt securities investments by credit rating category as of December 31, 2015 are presented in the following table.

Credit Rating Level	Total	U.S. Treasuries and Direct-Guaranteed Agencies	U.S. Sponsored Agencies - Mortgage Pools	Commercial Mortgage Backed Securties	Other Commercial Asset Backed Securites	U.S. Corporate - Financial	U.S. Corporate - Industrial	U.S. Corporate - Utility	Foreign
Guaranteed	$ 11,033,453	$ 11,033,453	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Aaa	10,226,798	-	7,798,542	591,482	541,918	1,237,184	-	-	57,672
Aa1	2,733,389	-	-	1,080,925	134,668	417,181	-	-	1,100,615
A1	7,687,979	-	-	168,775	858,627	2,364,232	744,571	154,140	3,397,634
Baa1	20,358,535	-	-	-	-	2,069,437	8,644,435	717,331	8,927,332
Ba1	7,893,171	-	-	-	-	2,388,060	3,466,930	464,211	1,573,970
B1	3,619,929	-	-	-	-	924,750	2,278,891	-	416,288
Caa1	92,474	-	-	-	-	-	25,200	-	67,274
Total	$ 63,645,728	$ 11,033,453	$ 7,798,542	$ 1,841,182	$ 1,535,213	$ 9,400,844	$ 15,160,027	$ 1,335,682	$ 15,540,785

CERF's debt securities investments by credit rating category as of December 31, 2014 are presented in the following table.

Credit Rating Level	Total	U.S. Treasuries and Direct-Guaranteed Agencies	U.S. Sponsored Agencies - Mortgage Pools	Commercial Mortgage Backed Securties	Other Commercial Asset Backed Securites	U.S. Corporate - Financial	U.S. Corporate - Industrial	U.S. Corporate - Utility	Foreign	Preferred/ Equity
Guaranteed	$ 5,385,610	$ 5,385,610	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Aaa	12,763,650	-	9,264,871	734,651	573,317	2,120,048	-	-	70,763	-
Aa1	2,638,558	-	-	1,212,040	305,268	-	-	-	1,121,250	-
A1	9,809,282	-	-	179,035	1,076,889	1,961,605	379,863	154,853	6,057,037	-
Baa1	17,313,214	-	-	-	-	465,812	6,845,916	1,004,383	8,997,103	-
Ba1	9,602,817	-	-	-	-	2,839,409	4,152,833	165,445	2,445,130	-
B1	4,242,552	-	-	-	-	1,088,849	2,240,372	-	808,374	104,957
Total	$ 61,755,683	$ 5,385,610	$ 9,264,871	$ 2,125,726	$ 1,955,474	$ 8,475,723	$ 13,618,984	$ 1,324,681	$ 19,499,657	$ 104,957

Concentration of credit risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a plan's investment in a single issuer. CERF's investment guidelines require diversified portfolios with no single issue, excluding U.S. government securities, being greater than 5% of each manager's total portfolio value at cost or 7% at market value. As of December 31, 2015 and 2014, no single issue exceeded the thresholds.

Money-Weighted Rate of Return: The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 0% and 4.34% for the years ended December 31, 2015 and 2014, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actual invested.

Foreign currency risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The following is a summary of CERF's foreign bonds and international equities funds showing the exposure to foreign currency risk as of December 31, 2015 and 2014:

	2015	2014
Argentina Peso	$ 1,170,021	$ 324,800
Australian Dollar	-	305,210
Bermuda Dollar	412,624	375,348
Brazilian Real	3,546,967	3,409,399
Canadian Dollar	693,346	982,165
Cayman Islands Dollar	1,138,119	1,443,708
Chilean Peso	1,012,196	803,392
China Yuan Renminbi	786,805	769,904
Colombian Peso	802,413	195,000
Czech Koruna	-	385,230
Euro	17,341,733	21,691,903
Hong Kong Dollar	1,670,854	1,367,837
Indian Rupee	195,458	358,197
Indonesian Rupiah	438,278	872,900
Japanese Yen	13,553,733	14,001,793
Jersey Pound	39,948	-
Korean Won	1,704,582	1,726,220
Mauritian Rupee	174,000	196,000
Mexican Peso	2,396,445	3,937,249
Moroccan Dirham	202,950	498,750
Peruvian Nuevo Sol	424,000	859,048
Philippine Peso	443,475	688,216
Russian Ruble	1,511,308	1,121,684
Singapore Dollar	107,113	-
South Korean Won	1,985,661	1,173,856
Swedish Krona	580,990	-
Swiss Franc	3,570,079	3,807,054
Taiwan New Dollar	737,975	601,941
Thai Baht	903,636	919,167
United Arab Emirates Dirham	219,952	362,679
United Kingdom Pound	13,505,209	13,321,834
United States Dollar	3,541,641	1,459,814
Total	$ 74,811,511	$ 77,960,298

Securities Lending Program:

Description of the program: CERF participates in a securities lending program administered by KeyBank National Association (the custodian). Under this program, the Board of Directors has authorized CERF to lend its securities to broker-dealers with a simultaneous agreement to return the collateral for the same securities in the future. At the initiation of a loan, borrowers are required to provide cash collateral at 102% of the market value of loaned securities. This cash collateral is then invested in certain qualified investments as detailed in the securities lending agreement. The maturities of the investments made with cash collateral do not generally match the maturity of security loans. There are no restrictions on the amount of securities that can be lent at one time. CERF does not have the ability to pledge or sell collateral securities unless the borrower defaults. CERF and the borrowers each maintained the right to terminate all security lending transactions on demand.

Transactions with borrowers during the period: Securities lent as of December 31, 2015 and 2014 consisted of U.S. government and agency securities, U.S. equities, U.S. corporate bonds, and mortgage backed securities. The average term of securities loans was 1 day at December 31, 2015 and 2014. The fair value, including accrued interest, of securities on loan was $79,485,584 and $77,551,698, as of December 31, 2015 and 2014, respectively. Because the fair value of collateral held exceeded the fair value of securities lent at December 31, 2015 and 2014, CERF had no credit risk exposure to borrowers as of those dates. There were no losses during the year resulting from a default of the borrowers or the custodial bank.

Investment of cash collateral during the period: The weighted average duration of collateral investments was 1.2 days and 1.4 days at December 31, 2015 and 2014, respectively. The fair value of collateral investments was $81,871,298 and $79,527,491 as of December 31, 2015 and 2014, respectively. CERF's securities lending policy states that in the event a security held in the collateral investments portfolio is downgraded below A3 by Moody's or A- by Standard and Poors that a potential course of action be discussed. Such potential actions include selling the security as soon as possible or holding the security in the hopes of an improved market. As of December 31, 2015, 1.09% or $892,818, of the total market value of the collateral investments portfolio was in securities that had fallen below these minimum ratings thresholds. As of December 31, 2014, 1.30% or $1,031,303, of the total market value of the collateral investments portfolio was in securities that had fallen below these minimum ratings thresholds. The fair value of collateral investments was $655,510 and $797,448 less than the liability for the collateral held for securities on loan as of December 31, 2015 and 2014, respectively. The agreement between CERF and the securities lending agent does not provide for indemnification to CERF for any loss incurred as a result of CERF's participation in the program.

Securities lending income: Security lending income from CERF's share of income on investments made from cash collateral less borrower rebates and fees of the securities lending agent was $242,076 and $95,196 for 2015 and 2014, respectively.

The following table summarizes duration by investment type as of December 31 for securities lending invested collateral subject to interest rate risk:

	2015		2014	
Investment	Fair Value	Effective Duration Rate	Fair Value	Effective Duration Rate
Repurchase agreements	$ 62,700,000	1-90 days	$ 43,462,702	1-35 days
Money market funds	18,278,385	1 day	29,033,774	2 days
Corporate notes	892,818	5-266 days	1,031,303	5-267 days
Commercial paper	-	N/A	5,999,617	2 days
Asset backed securities	95	1 day	95	1 day
Total	$ 81,871,298		$ 79,527,491	

The following table summarizes credit ratings by investment type as of December 31 for securities lending invested collateral subject to credit risk:

	2015			
Moody's Credit Rating Level	Repurchase Agreements	Money Market Funds	Corporate Notes	Asset Backed Securities
Not rated	$ 46,700,000	$ 10,219,849	$ 892,818	$ -
Aaa	-	8,058,536	-	-
P1	16,000,000	-	-	-
Ca	-	-	-	95
Total	$ 62,700,000	$ 18,278,385	$ 892,818	$ 95

	2014				
Moody's Credit Rating Level	Repurchase Agreements	Money Market Funds	Corporate Notes	Commercial Paper	Asset Backed Securities
Not rated	$ 35,799,999	$ 15,200,000	$ 1,031,303	$ -	$ -
Aaa	-	13,833,774	-	-	-
P1	7,662,703	-	-	5,999,617	-
Ca	-	-	-	-	95
Total	$ 43,462,702	$ 29,033,774	$ 1,031,303	$ 5,999,617	$ 95

4. CAPITAL ASSETS

Capital assets consist of the following as of December 31, 2015:

	January 1, 2015	Additions/ Transfers In	Disposals/ Transfers Out	December 31, 2015
Assets not being depreciated:				
Land	$ 932,050	$ -	$ -	$ 932,050
Computer software in development	1,522,738	-	(1,522,738)	-
Total assets not being depreciated	2,454,788	-	(1,522,738)	932,050
Assets being depreciated:				
Building	3,022,819	-	-	3,022,819
Equipment, furnishings and computer software	1,785,851	2,598,421	(2,868)	4,381,404
Total assets being depreciated	4,808,670	2,598,421	(2,868)	7,404,223
Less accumulated depreciation	2,422,923	170,540	(2,868)	2,590,595
Net assets being depreciated	2,385,747	2,427,881	-	4,813,628
Total capital assets	$ 4,840,535	$ 2,427,881	$ (1,522,738)	$ 5,745,678

Capital assets consist of the following as of December 31, 2014:

	January 1, 2014	Additions/ Transfers In	Disposals/ Transfers Out	December 31, 2014
Assets not being depreciated:				
Land	$ 932,050	$ -	$ -	$ 932,050
Computer software in development	920,518	602,220	-	1,522,738
Total assets not being depreciated	1,852,568	602,220	-	2,454,788
Assets being depreciated:				
Building	3,022,819	-	-	3,022,819
Equipment, furnishings and computer software	1,781,864	14,622	(10,635)	1,785,851
Total assets being depreciated	4,804,683	14,622	(10,635)	4,808,670
Less accumulated depreciation	2,353,952	79,606	(10,635)	2,422,923
Net assets being depreciated	2,450,731	(64,984)	-	2,385,747
Total capital assets	$ 4,303,299	$ 537,236	$ -	$ 4,840,535

5. NET PENSION LIABILITY OF EMPLOYERS

The components of the net pension liability of employers as of December 31 are as follows:

Year Ended	Total Pension Liability (TPL) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (NPL) (a - b)	Plan Fiduciary Net Position as a % of TPL (b/a)	Covered Employee Payroll (c)	NPL as a % of Covered Payroll ((a-b)/c)
12/31/2015	$ 625,859,932	$ 432,504,491	$ 193,355,441	69.11%	$ 372,165,232	51.95%
12/31/2014	551,305,708	434,606,328	116,699,380	78.83%	371,471,731	31.42%

Actuarial assumptions: Actuarial valuations of the Plan involve estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future compensation increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The purpose of the schedule of net pension liability is to present multi-year trend information about whether the Plan's fiduciary net position is increasing or decreasing over time relative to the total pension liability. This schedule is presented in the required supplementary information following the notes to the financial statements. Until a full 10-year trend is completed, the multi-year information will be added as it becomes available.

The total pension liability as of December 31, 2015 was based on the most recent actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015 using the following actuarial assumptions. A formal actuarial experience study was not performed.

Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Inflation	2.5%
Compensation increases	2.5%, plus merit
Mortality rates	RP-2000 Combined Mortality projected to 2010 using Scale AA

The total pension liability as of December 31, 2014 was based on the actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014 using the following actuarial assumptions. The assumptions were based on an experience study covering the period January 1, 2002 through December 31, 2007.

Actuarial cost method	Entry age normal
Investment rate of return	8.0%
Inflation	3.0%
Compensation increases	3.0%, plus merit
Mortality rates	RP-2000 table separately for males and females projected for mortality improvement through 2010

The sensitivity of the net pension liability to changes in the discount rate is presented below.

As of December 31, 2015, the net pension liability calculated using the discount rate of 7.5% is presented as well as what the net pension liability would be using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Current Rate (7.5%)	1% Increase (8.5%)
Net pension liability	$275,007,631	$193,355,441	$125,339,357

As of December 31, 2014, the net pension liability calculated using the discount rate of 8.0% is presented as well as what the net pension liability would be using a discount rate that is 1% lower (7.0%) or 1% higher (9.0%) than the current rate.

	1% Decrease (7.0%)	Current Rate (8.0%)	1% Increase (9.0%)
Net pension liability	$189,088,067	$116,699,380	$ 59,760,129

The long-term expected rate of return on the Plan's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target allocations for 2015 and 2014 are summarized below along with the long term geometric return. Geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cash flows.

2015		Long-Term Arithmetic Basis	
Asset Class	Target Asset Allocation	Expected Real Return	Weighted Expected Real Return
Core Plus	15.00%	2.66%	0.40%
Absolute Return	15.00%	4.18%	0.63%
U.S. Large Cap Equity	25.00%	6.38%	1.60%
U.S. Small Cap Equity	10.00%	6.96%	0.70%
Non-U.S. Equity	15.00%	6.58%	0.99%
Long/Short Equity	10.00%	6.85%	0.69%
Private Equity	5.00%	7.34%	0.37%
Core Real Estate	5.00%	5.10%	0.26%
Total	100.00%		5.61%
		Inflation	2.50%
		Long-term expected geometric return	8.11%

2014		Long-Term Arithmetic Basis	
Asset Class	Target Asset Allocation	Expected Real Return	Weighted Expected Real Return
Core Plus	15.00%	3.11%	0.47%
Absolute Return	15.00%	4.35%	0.65%
U.S. Large Cap Equity	25.00%	7.77%	1.94%
U.S. Small Cap Equity	10.00%	9.03%	0.90%
Non-U.S. Equity	15.00%	8.99%	1.35%
Long/Short Equity	10.00%	7.64%	0.76%
Private Equity	5.00%	1.65%	0.08%
Core Real Estate	5.00%	5.30%	0.27%
Total	100.00%		6.42%
		Inflation	3.00%
	Long-term expected geometric return		9.42%

The discount rate used to measure the total pension liability as of December 31, 2015 and 2014 was 7.5% and 8.0%, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current statutory rates and that contributions from employers will be made based on the Plan's revenue sources (various fees and penalties paid to the counties). Such revenue was assumed to increase at the rate of 1.0% per year. This increase assumption has been used by the Plan in prior funding status projections. Historically, revenue increase has averaged more than 1.0% per year. Based on the assumptions, the Plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. The projections covered an 80-year period into the future. The long-term expected rate of return on the Plan's investments was applied to projected benefit payments.

6. PRIOR SERVICE CONTRIBUTIONS

An eligible county employee who was employed prior to CERF's inception on August 28, 1994, is considered to have prior service. If the employee was working on June 10, 1999, and worked through January 1, 2000, the prior service is awarded. This means the employee does not have to purchase the service to have it deemed creditable. If the employee did not work continually from June 10, 1999 through January 1, 2000, the prior service must be purchased to become creditable. The prior service is calculated at the time of retirement and can be paid in one lump sum or over a period of up to 48 months. The monthly pension benefit is reduced by the buyback amount until the prior service has been paid in full.

An eligible county employee who was employed on January 1, 1990, but not employed on August 28, 1994, and who had at least eight years of service is classified as a special consultant. A special consultant can elect to purchase eight years or more of their service in order to receive a CERF benefit. Since a special consultant would have terminated employment prior to CERF's inception, they are required to make a larger buyback and must pay at least 50% of this amount up front. The remaining amount is deducted from the monthly pension benefit for up to 48 months.

An eligible county employee who opted out of the system prior to January 1, 2000 had the option to become a member within three months of the three year anniversary of the decision to opt out. Upon deciding to opt in to the system, such employee either purchased in total or began payroll deductions to purchase all or part of their prior creditable service plus interest over a maximum period of four years. Such amounts were recognized as contributions when received by CERF.

The receivables for member prior service contributions shown on the accompanying statements of fiduciary net position represent the total amount, as of December 31, 2015 and 2014, that are due in future periods from retirees who have elected to purchase prior service.

7. RETIREMENT PLANS FOR FUND EMPLOYEES

All full-time employees of CERF are eligible for participation in a defined contribution plan. CERF contributes 6% of a participating employee's monthly gross salary to the plan. The contribution requirements of the plan are governed by the plan document, which may be amended by the Board of Directors. Employees do not contribute to the retirement plan. Employees become vested in contributions made by CERF after 5 years of creditable service. Total contributions for the year ended December 31, 2015 and 2014 were $66,737 and $58,359, respectively.

All full-time employees are eligible for participation in an Internal Revenue Code (IRC) 457 deferred compensation plan upon their eligibility in the defined contribution plan.

8. DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS

Plan description: Effective January 1, 2000, CERF also administers a defined contribution plan and an IRC Section 457 deferred compensation plan. Members of the pension plan are eligible to participate. The plans were established to provide an opportunity for members of the pension plan to have additional retirement benefits. The plans' provisions and contribution requirements are established and may be amended only by action of the Missouri Legislature.

Contributions: Pension plan members who are not members of LAGERS are required to contribute 0.7% of gross compensation to the defined contribution plan. Contributions of $866,625 and $847,895 were made during the years ended December 31, 2015 and 2014, respectively. Participation in the 457 plan is voluntary. The level of contributions to the 457 plan is elected by the employee, subject to the limitations of IRC Sections 401(a) and 457. CERF's Board of Directors determines if matching contributions from the pension plan trust funds for a calendar year will be made to the defined contribution plan accounts of those who participated in the 457 plan and met the applicable service criteria during the plan year. The amount of any matching contribution is limited to an amount not needed to keep the pension plan actuarially sound. The matching contribution is also limited to 50% of a member's voluntary contributions to the 457 plan, up to 3% of the member's compensation. Members vest in the matching portion of contributions allocated to their respective accounts after five years of creditable service. Matching contributions for the years ended December 31, 2015 and 2014 were $2,861,751 and $2,696,164, respectively.

Administration: Maintenance of individual member accounts and custody of assets have been contracted to a third party administrator and investment custodian, respectively. Member contributions are sent directly to the third party administrator by the counties. Members can self-direct investments of their contributions and their respective share of matching contributions in a number of investment options. Separate trust funds are maintained for the defined contribution and 457 plan assets.

Because CERF does not hold the plans' assets and does not have significant administrative responsibilities, the plans' assets and changes in net assets are not reported in CERF's financial statements.

9. RISK MANAGEMENT

CERF is exposed to various risks of loss related to natural disasters, errors and omission, loss of assets, torts, etc. CERF has chosen to cover such losses through the purchase of commercial insurance. There have been no significant insurance claims filed or paid during the past three years.

10. COMMITMENTS

CERF had total unfunded capital commitments to private equity limited partnership investment funds of $19,152,599 and $3,735,814 as of December 2015 and 2014, respectively.

COUNTY EMPLOYEES' RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (Unaudited)
For the Years Ended December 31, 2015 and 2014

	2015	2014
Total pension liability		
Service cost	$ 17,052,205	$ 13,595,040
Interest cost	44,726,570	41,986,362
Difference between actual and expected experience	9,248,266	(1,804,223)
Benefit payments, including refunds of member contributions	(29,901,257)	(27,411,906)
Effect of assumption changes or inputs	33,428,440	-
Net change in total pension liability	74,554,224	26,365,273
Total pension liability - beginning of year	551,305,708	524,940,435
Total pension liability - end of year	$ 625,859,932	$ 551,305,708
Plan fiduciary net position		
Employer contributions	$ 19,968,537	$ 19,781,514
Member contributions	13,115,748	11,899,932
Net investment return	99,571	17,958,335
Benefit payments, including refunds of member contributions	(29,901,257)	(27,411,906)
Defined contribution plan match	(2,861,751)	(2,696,164)
Administrative and other expenses	(2,522,685)	(2,125,444)
Net change in Plan fiduciary net position	(2,101,837)	17,406,267
Plan fiduciary net position - beginning of year	434,606,328	417,200,061
Plan fiduciary net position - end of year	432,504,491	434,606,328
Net pension liability - end of year	$ 193,355,441	$ 116,699,380

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

COUNTY EMPLOYEES' RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF NET PENSION LIABILITY (Unaudited)
For the Years Ended December 31, 2015 and 2014

Year Ended	Total Pension Liability (TPL) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (NPL) (a - b)	Plan Fiduciary Net Position as a % of TPL (b/a)	Covered Employee Payroll (c)	NPL as a % of Covered Payroll ((a-b)/c)
12/31/2015	$ 625,859,932	$ 432,504,491	$ 193,355,441	69.11%	$ 372,165,232	51.95%
12/31/2014	551,305,708	434,606,328	116,699,380	78.83%	371,471,731	31.42%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

COUNTY EMPLOYEES' RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS (Unaudited)

Year Ended December 31	Actuarially Determined Contribution	Actual Employer Contributions	Contribution Excess/ (Deficiency)	Actual Covered Member Payroll	Contributions as a % of Covered Payroll
2006	$ 13,447,802	$ 18,923,599	$ 5,475,797	$ 301,692,241	6.27%
2007	12,949,951	19,760,207	6,810,256	317,301,810	6.23%
2008	16,149,220	20,053,257	3,904,037	330,788,272	6.06%
2009	19,974,884	20,347,932	373,048	347,697,487	5.85%
2010	19,353,216	19,739,918	386,702	356,101,368	5.54%
2011	17,641,319	19,364,023	1,722,704	349,451,052	5.54%
2012	18,663,294	19,919,125	1,255,831	352,112,336	5.66%
2013	19,441,738	20,348,888	907,150	358,016,680	5.68%
2014	18,623,038	19,781,514	1,158,476	366,151,670	5.40%
2015	22,051,507	19,968,537	(2,082,970)	372,165,232	5.37%

COUNTY EMPLOYEES' RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS (Unaudited)

	Investment Returns, Net of Investment Expenses	
Year Ended December 31	Time Weighted	Money Weighted
2006	12.40%	*
2007	6.20%	*
2008	-23.60%	*
2009	22.90%	*
2010	14.00%	*
2011	-0.50%	*
2012	13.20%	*
2013	19.30%	*
2014	4.30%	4.34%
2015	0.00%	0.00%

**CERF has calculated the annual time-weighted returns since inception in 1995. However, data for the money-weighted returns is only available starting with 2014.*

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

The information presented in the required supplementary information was determined as part of the most recent actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015, as well as the previous actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. Additional information as of these actuarial valuations follows.

Changes in benefit terms: On October 1, 2007, significant benefit improvements were made for members retiring on or after that date. The cost impact of the improvements was first incorporated in 2008.

Actuarial methods and assumptions: The actuarially determined contribution rates in the schedule of employers' contributions are calculated as of January 1 of the respective calendar year.

The following actuarial methods and assumptions were used to determine contribution rates reported in the schedule as of December 31, 2015.

Actuarial cost method	Entry age normal
Amortization method:	
Level percent or dollar	Level percent
Closed, open, or layered periods	Layered
Amortization period	20 years
Amortization growth rate	2.5%
Asset valuation method	Actuarial value of assets with 5 years smoothing of gains and losses, subject to a 20% corridor around market value
Investment rate of return	7.5%
Inflation	2.5%
Compensation increases	2.5%, plus merit
Cost of living adjustments	1.0% per annum; 50% cap on initial benefit
Retirement age	Rates vary by age as shown in Appendix A of the January 1, 2015 Actuarial Valuation Report
Turnover	Select and ultimate rates based on age and service as shown in Appendix A of the January 1, 2015 Actuarial Valuation
Mortality rates	RP-2000 Combined Mortality projected to 2010 using Scale AA

The following actuarial methods and assumptions were used to determine contribution rates reported in the schedule as of December 31, 2014.

Actuarial cost method	Entry age normal
Amortization method:	Remaining amortization period from January 1, 2014:
For each year from 1995-2010, level percent of payroll for a 30 year closed period from Januay 1, 1995	20 years
Beginning on January 1, 2011, a fresh start level percent of payroll over the 20 year closed period beginning on that date.	17 years
For subsequent years, additional 20 year bases are established for actuarial gains and losses, benefit improvements, and changes in actuarial assumptions.	18 years for the 2012 base, 19 years for the 2013 base, and 20 years for the 2014 base.
Asset valuation method	Market value from 2005 through 2008 and 5-year smoothing of actual returns above or below expected returns from 2009 through 2014.
Investment rate of return	8.0%
Inflation	3.0%
Compensation increases	4.0% for those with less than 15 years of service and 3.0% for those with 15 or more years of service, including inflation, from 2005 through 2007. Inflation plus an age-graded allowance for merit, promotion, and seniority from 2008 through 2014. Total average increases are approximately 5.3%.
Retirement age	Expected retirement ages were adjusted in 2008 based on an experience study covering the years 2002 through 2007.
Mortality rates	RP-2000 table separately for males and females projected for mortality improvement through 2010

COUNTY EMPLOYEES' RETIREMENT FUND

SCHEDULES OF ADMINISTRATIVE EXPENSES
For the Years Ended December 31, 2015 and 2014

	2015	2014
Personnel services		
Staff salaries	$ 1,008,701	$ 895,001
Social security	80,300	67,037
Retirement	66,737	58,359
Insurance	199,531	167,150
Total personnel services	1,355,269	1,187,547
Professional services		
Actuarial	183,782	157,432
Audit	63,591	63,373
Legal counsel	180,347	175,600
Legislative consultant	67,000	67,000
Plan design and implementation consultants	108,709	37,845
Total professional services	603,429	501,250
Communication		
Printing	21,451	14,894
Postage	27,606	27,844
Telephone	32,012	30,646
Total communication	81,069	73,384
Rentals		
Equipment leasing and maintenance	42,835	38,869
Total rentals	42,835	38,869
Depreciation	170,540	79,606
Miscellaneous		
Utilities	24,326	23,978
Board of directors expenses	29,995	24,724
Business risk insurance premiums	61,818	74,677
Staff development	30,737	18,033
Office	122,276	108,054
Property taxes	391	514
Total miscellaneous	269,543	249,980
Total administrative expenses	$ 2,522,685	$ 2,130,636

COUNTY EMPLOYEES' RETIREMENT FUND

SCHEDULES OF INVESTMENT EXPENSES
For the Years Ended December 31, 2015 and 2014

	2015	2014
Investment management expenses		
Domestic stocks	$ 1,116,726	$ 1,128,052
International stocks	446,643	457,025
Bonds	205,752	198,709
Private equity	56,796	57,576
Real estate	186,150	151,518
Total investment management expenses	2,012,067	1,992,880
Other investment expenses		
Investment consultants	217,625	211,733
Investment custodian	130,366	122,729
Bank depository	8,291	5,450
Total other investment expenses	356,282	339,912
Total investment expenses	$ 2,368,349	$ 2,332,792
Securities lending expenses, net		
Borrower rebates	$ (27,689)	$ 32,054
Agent fees	57,616	20,273
Total securities lending expenses, net	$ 29,927	$ 52,327